eco baltia

JOINT STOCK COMPANY ECO BALTIA

UNAUDITED CONSOLIDATED INTERIM REPORT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

RIGA, 2023

TABLE OF CONTENTS

GENERAL INFORMATION

GENERAL INFORMATION

Name of the Parent Company	Eco Baltia AS
Legal status of the Parent Company	Joint stock company
Registration number, place and date of the Parent Company	40103435432 Riga, 08 July 2011
Registered office of the Parent Company	Maskavas iela 240-3, Riga, LV-1063, Latvia
Shareholders of the Parent Company	BSGF Salvus UAB, Gyneju g.14, Vilnius, Lithuania (52.81%) European Bank for Reconstruction and Development, Broadgate City of London One Exchange Square, London EC2A 2JN (United Kingdom) (30.51%) Enrial Holdings SIA, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (0.75%)
Supervisory Board Members of the Parent Company	Vytautas Plunksnis — Chairman of the Supervisory Board Deimante Korsakaite — Deputy Chairperson of the Supervisory Board Jurgita Petrauskiene - Supervisory Board Member Gints Pucēns - Supervisory Board Member Atienza Guell Alberto - Superviosry Board Member
Management Board Members of the Parent Company	Māris Simanovičs - Chairman of the Management Board Santa Spūle - Management Board Member Sigita Namatēva - Management Board Member Saulius Budrevičius - Management Board Member since 21.07.2023
Reporting period	1 January – 30 September 2023

MISSION

Find value in each and everything

Provides **full cycle** of waste management

>**2200** employees

40 000 clients in Latvia and abroad

25 operational facilities across Latvia, Lithuania and Czech Republic

MANAGEMENT REPORT

MANAGEMENT REPORT

Management of JSC (AS) Eco Baltia (hereinafter referred - the Company or the Parent Company) reports on the consolidated unaudited interim financial statements of Eco Baltia group (hereinafter referred to - Group) for the period from 1 January 2023 until 30 September 2023.

Group business profile

Eco Baltia is the largest environmental resource management and recycling group in the Baltics, providing a complete waste management cycle, starting with waste collection and sorting, continuing with logistics and wholesale of recycled materials, and concluding with recycling of recycled materials, including PET and PE/PP plastics, as well as PET fibre production. Eco Baltia's business is strategically divided into two business segments - polyethylene terephthalate (PET) and plastics recycling and environmental management services.

The Group currently employs more than 2 200 people in Latvia, Lithuania and the Czech Republic. The main subsidiaries managed by the Group are PET Baltija, Nordic Plast, Eco Baltia vide, Latvijas Zaļais punkts, JUMIS in Sigulda, the Ecoservice Group in Lithuania and TESIL Fibres in the Czech Republic. During the reporting period, the Group also completed the acquisition of Pilsētas Eko Serviss, a street and road maintenance company.

Development and financial performance of the Group during the reporting period

In addition to the acquisitions completed in the previous year, during the reporting period the Group continued to evaluate new business areas and acquisitions with the aim of further strengthening the Group's position and market share both in Latvia and internationally, as well as developing and expanding the full-cycle waste chain within the Group's overall service portfolio.

At the beginning of the year, Group company Eco Baltia vide, through its subsidiary Latvijas Zaļais punkts, concluded a transaction for the acquisition of road maintenance company Pilsētas Eko Serviss. The transaction resulted in the acquisition of 100% of the shares in Pilsētas Eko Serviss, PES serviss and B 124. A reorganisation process was initiated in 2023.

During the period, the Group's two largest environmental subsidiaries, Eco Baltia vide and Ecoservice, continued to develop a number of projects, including the establishment and expansion of specialised construction waste sorting sites and the promotion of the sorting of household waste, textiles and other materials.

During the period, the Tocha brand and service continued to be promoted in the market, strengthening its market position in Latvia. Work is now continuing on the service to ensure a consistently high level of quality.

During the period, the Group's environmental companies also submitted bids for a number of public tenders for the provision of waste management services, road maintenance and other services. During the period, the bid submitted by the environmental management company Eco Baltia vide in an open tender for waste management in the municipality of Salaspils was considered to be the most appropriate and financially advantageous, and the company will continue to provide municipal waste management services to residents and businesses in the municipality of Salaspils after the expiry of the current contract (from 1 October). The total value of the contract is EUR 7 million (excluding VAT) for a period of three years, with an option to extend.

Eco Baltia vide also won the tender for the maintenance of the administrative districts of Saldus and Brocēni for the next five years, worth EUR 1.28 million. Ecoservice was awarded the right to provide waste management services in Klaipeda and Vilnius for the next five years, as well as these and other services for various periods in other regions of Lithuania.

At the beginning of August, the recycling center of Eco Baltia's Lithuanian subsidiary Ecoservice in Vilnius was affected by a fire. In order to ensure the continuity of the company's operations, materials for sorting were diverted to subcontractors and other branches. Following the event, the construction waste sorting line and the temporary packaging sorting line have resumed operations and the insurance claim is underway, with the circumstances and extent of the damage still being assessed.

MANAGEMENT REPORT

During the reporting period, the Group's producer responsibility system operator Latvijas Zaļais punkts, which maintains waste management systems for packaging waste, electrical and electronic equipment and environmentally hazardous goods, continued to provide services in accordance with the requirements of regulatory enactments and the agreements concluded with the State Environmental Service (SES). The activities of Latvijas Zaļais punkts were organised in accordance with the management programmes for 2023-2025 approved by the State Environment Service. In order to further streamline the internal organisational processes and management structure of the Group companies, Latvijas Zaļais punkts changed its legal form of business activity from a joint stock company (JSC) to a limited liability company (LLC) during the reporting period.

A producer responsibility system for tobacco products with filters and filters intended for use with tobacco products is due to be introduced in Latvia this year. A market study and survey carried out by the Association of Traditional and Smokeless Tobacco Products, which includes manufacturers and importers of tobacco products, to select a tobacco product manager in Latvia to ensure the operation of this system in accordance with the Law on the Reduction of Consumption of Products Containing Plastics, identified the offer of the Concern company Latvijas Zaļais punkts as the most economically advantageous. The further implementation of the system involves the conclusion of contracts with municipalities and tobacco traders, as well as the development of a management plan. The system will be launched in Latvia after approval by the State Environmental Service.

In the Group's PET bottles and plastic packaging recycling sector, capacity expansion projects continued during the reporting period. "Nordic Plast completed the testing of its new plastic sorting and recycling line, which was invested more than EUR 2.8 million last year, ensuring stable operation and a gradual increase in production capacity. Nordic Plast's production capacity is expected to increase by at least 29% in 2023 as a result of the modernisation of the plant, although the increase may vary according to the current volatile situation in the recycled market.

The Group's PET bottle recycler PET Baltija continues to work on the development of its new production facility in Olaine. The project is being carried out in cooperation with PICHE Ltd, the leading industrial park developer in Latvia, with a total investment of more than EUR 35 million, including more than EUR 10 million from PET Baltija.

Taking into account the situation in the secondary raw materials market, which particularly deteriorated in the fourth quarter of 2022, contributing to the decrease in the net realisable value of the subsidiary PET Baltija's inventories, PET Baltija and the Parent Company have agreed with the Latvian branch of Luminor Bank on the Parent Company's decision, during the first quarter, to subordinate a short-term loan to PET Baltija in the amount of EUR 1.5 million and long-term loan to TESIL Fibres EUR 4 million. The purpose of the loans is to expand production capacity, ensuring its maximum utilisation and further business development, including in new market segments.

In order to further accelerate the development of PET Baltija and the implementation of investment projects, the composition of the Board of Directors was changed during the reporting period. On 17 July, new member and PET Baltija's CEO Kaspars Ezernieks joined the existing Board, while the previous Chairman of PET Baltija's Board Salvis Lapiņš performed his duties in the company until 21 July. On 11 September, Jūlija Zandersone joined PET Baltija's management team as Chairman of the Board and Head of the Recycling Sector at Eco Baltia Group.

There have also been changes in the management of PET Baltija's subsidiary Tesil Fibres. Jiří Novák has been appointed CEO of Tesil Fibres following the company's merger with Eco Baltia Group. As part of the efforts to strengthen the recycling sector, Mr Novák's employment has been terminated and his duties as CEO have been temporarily transferred to Sergei Malishev, PET Baltija's Business Development Project Manager.

MANAGEMENT REPORT

In order to strengthen the corporate governance of Tesil Fibres, a four-member Supervisory Board was also established. Salvis Lapiņš, the former Chairman of the Board of PET Baltija, the parent company of TESIL Fibres, was initially appointed as the Chairman of the newly established Supervisory Board, but following changes in the Management Board of PET Baltija, Julia Zandersone, the current Chairman of the Management Board of PET Baltija, has been acting as the Chairman of the Supervisory Board of Tesil Fibres since 11 September. The vice-chairman of the board is Māris Simanovičs, chairman of the board of the group's parent company Eco Baltia AS, while the members of the supervisory board are Justas Bučelis, senior partner at INVL Baltic Sea Growth Fund, and Matīss Leitis, CFO and member of the board of PET Baltija.

In order to strengthen the strategic development of Eco Baltia Group and the implementation of investment projects, Saulius Budrevičius, long-time CEO of Ecoservice, a leading Lithuanian environmental management company, and member of Eco Baltia vide's Supervisory Board, joined Eco Baltia's management during the reporting period, where he is responsible for research and development, as well as the implementation and execution of various investment projects.

During the reporting period, Eco Baltia Group issued its first bond for EUR 8 million, attracting significant investor interest, with demand exceeding the maximum offer volume by 3.5 times. The first bond was issued in the amount of EUR 8 million. The bonds mature on 17 February 2026 and the issuer has the option to redeem the bonds after two years. The bonds have been listed on Nasdaq Baltic's alternative market First North since 2 March 2023.

As the business model and operations of the Group companies are focused on embedding circular economy principles through the implementation of various sustainable business practices on a daily basis, the active work on the development and implementation of a consolidated ESG (Environmental, Social and Governance) strategy for the Company and its major subsidiaries, which started in 2022, continues during this reporting period. One of the objectives is to implement a common ESG performance and strategy monitoring and reporting system at all levels of the business.

The company is also working to create an effective internal environment, which has resulted in this year's status in the national "Family Friendly Workplace" programme run by the Society Integration Foundation.

The Group closed the nine months of 2023 with a loss of EUR 25 thousand (nine months of 2022: profit of EUR 9,8 million). The Group's turnover for the first nine months of 2023 is EUR 161 million, an increase of 4% compared to EUR 154,9 million for the first nine months of 2022, mainly due to the acquisition of new businesses, the solid and convincing performance of the environmental management sector in 2023 and the focus on productivity, efficiency and automation.

The market for recycled PET and rigid plastics declines significantly in the last quarter of 2022 and remains unchanged during 2023. This is due to the unregulated European market for the use of recycled materials in the production of final products. This market situation has contributed to the uncontrolled flow of cheap virgin raw materials from Asian regions into Europe. In addition, rising energy costs have led to a preference for cheap virgin materials, which has reduced the demand for recycled raw materials.

As a result of these circumstances, the Group recognised a goodwill write-down of EUR 1.3 million of the goodwill of Tesil Fibres, a subsidiary of PET Baltija acquired last year, as part of the goodwill testing procedures. In accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, Eco Baltia has been given 12 months to assess the initial accounting for the acquisition for consolidated financial reporting purposes, which is incomplete at the date of these financial statements as some fair value measurements of the acquired fixed assets have not yet been finalised.

During the period under review, the Group's consolidated EBITDA, calculated before recognition of the non-cash item Goodwill impairment of €1.3 million, amounted to EUR 20.6 million, compared to EUR 17.9 million for the first nine months of 2022.

Future development of the Group

In line with its strategic goals, the company's main objectives in 2023 will be to improve working conditions, support employees, ensure the highest level of occupational safety and improve ESG and sustainability.

MANAGEMENT REPORT

In 2023, investments in recycling and waste and environmental management will continue to support the further growth, efficiency and competitiveness of the Group companies. In 2023, production at the new PET Baltija plant is scheduled to start gradually, with the aim of tripling PET production over time. Investments in efficiency and automation are also important to reduce the impact of rising energy and labour costs.

In 2023, the Group will continue to promote synergies between Group companies in order to achieve maximum benefit from the full-cycle waste management process.

Events after the reporting date

In order to further streamline the management and structure of Eco Baltia and improve the quality of services offered to customers, the Group's leading environmental management company, Eco Baltia vide, was reorganised by adding the road maintenance company Pilsētas Eko Serviss and the associations PES serviss and B 124. All rights and obligations of the company were transferred to Eco Baltia vide on 1 December.

Eco Baltia vide, the Group's environmental services company, was granted a six-month extension to the deadline for providing waste management services in Vecumnieki, Bauska municipality. The extension was granted after Eco Baltia vide challenged the results of a tender in Bauska Municipality before the administrative district, claiming that the winning bid was unreasonably low in several cost items and that the tender did not comply with EU Green Deal requirements.

After the period under review, Eco Baltia successfully completed for the second time a EUR 10 million three-year bond issue. The issue, which was conducted as a private placement, again attracted strong investor interest, with total demand exceeding the issue size by 1.7 times. Bond orders were received from more than 100 institutional and retail investors in Latvia, Estonia and Lithuania.

To further support the company's growth in the international market, after the period INVL Baltic Sea Growth Fund together with Eco Baltia completed a transaction to acquire a 70% stake in Metal-Plast, the largest PVC window and door profile recycler in Poland. As a result of the transaction, Eco Baltia and INVL Baltic Sea Growth Fund own 38.5% and 31.5% of the shares in Metal-Plast, respectively. The SIDN family fund retains a 30% stake in the company.

This year, Eco Baltia has risen from 36th place last year to 29th place in the TOP 101 of Latvia's most valuable companies. TOP101 is compiled annually by assessing business in Latvia, comparing value indicators of local market companies, including turnover, EBITDA and others.

There have been no other events between the last day of the reporting year and the date of signing these financial statements that require adjustment or explanation in these financial statements.

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of Eco Baltia AS confirms that the unaudited consolidated interim report has been prepared in accordance with the requirements of applicable law and gives a true and fair view of the financial position of the company as of 30 September 2023, and of the results of its operations and its cash flows for the period then ended.

The management report provides a clear summary of the business development and financial performance of Eco Baltia group. The unaudited consolidated interim financial statements have been prepared in accordance with the International Financial Standards as adopted by the European Union. At the time of preparation of the unaudited consolidated interim report, management:

- used and applied appropriate accounting policies;
- made reasonable and prudent judgements and estimates;
- applied the going concern basis except where the application of that basis would not be reasonable.

The management board is also responsible for maintaining appropriate accounting records that would provide a true and fair presentation of the financial position at a particular date and financial performance and cash flows and enable the management to prepare the financial statements according to the International Financial Standards as adopted by the European Union.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	01.01.2023-30.09.2023 (Unaudited)	01.01.2022-30.09.2022 (Reviewed)
Net turnover	1	161 141 542	154 938 539
Production cost of goods sold	2	(136 299 586)	(128 211 203)
Gross profit		**24 841 956**	**26 727 336**
Selling and distribution expenses		(5 006 330)	(5 932 008)
Administrative expenses		(13 082 738)	(10 701 444)
Other operating income		823 974	900 823
Other operating expenses		(2 908 275)	(549 157)
Finance income		1 884	11 643
Finance costs		(4 433 478)	(1 748 276)
Profit before tax		**236 993**	**8 708 917**
Corporate income tax		(119 410)	(99 954)
Deferred corporate income tax		(84 845)	1 221 400
PROFIT FOR THE REPORTING PERIOD		**32 738**	**9 830 363**
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		(57 748)	-
Total comprehensive income for the period after tax		**(25 010)**	**9 830 363**
Total comprehensive income attributable to:			
Majority interests		**79 518**	**9 861 764**
Non-controlling interests		**(104 528)**	**(31 401)**
Profit attributable to:			
Majority interests		**137 266**	**9 861 764**
Non-controlling interests		**(104 528)**	**(31 401)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	30.09.2023 (Unaudited)	31.12.2022 (Audited)
ASSETS		
Non-current investments		
Intangible investments		
Licences, trade marks and other intangible investments	2 104 176	2 071 371
Development costs	1 649 493	822 654
Goodwill	42 986 919	40 155 615
Total intangible investments	**46 740 588**	**43 049 640**
Property, plant and equipment		
Land, buildings and constructions	5 561 784	5 216 420
Right-of-use assets	34 947 117	37 436 780
Non-current investments in leased property, plant and equipment	121 875	214 936
Equipment and machinery	23 656 790	22 801 801
Other property, plant and equipment, and inventories	10 159 392	7 918 548
Construction in progress	10 814 440	11 610 991
Prepayments for property, plant and equipment	4 711 526	1 270 228
Total property, plant and equipment	**89 972 924**	**86 469 704**
Non-current financial investments		
Other securities and investments	22 113	21 200
Prepaid expenses	38 702	258 239
Other non-current receivables	218 540	26 000
Total non-current financial assets	**279 355**	**305 439**
Total non-current investments	**136 992 867**	**129 824 783**
Current assets		
Inventories	**11 046 675**	**18 445 415**
Receivables		
Trade receivables	20 683 740	18 214 506
Other loans	-	290
Other receivables	1 428 105	1 422 288
Prepaid expenses	1 244 995	778 521
Accrued income	4 771 281	3 688 202
Total receivables	**28 128 121**	**24 103 807**
Non-current assets held for sale	**-**	**485 000**
Cash and cash equivalents	**7 036 492**	**8 063 375**
Total current assets	**46 211 288**	**51 097 597**
TOTAL ASSETS	**183 204 155**	**180 922 380**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	30.09.2023 (Unaudited)	31.12.2022 (Audited)
LIABILITIES			
Equity			
Share capital		35 005	35 005
Share premium		20 623 389	20 623 389
Consolidated reserves		19 926 630	19 926 630
Translation reserves		73 961	131 709
Retained earnings brought forward		19 317 887	10 939 809
Profit for the reporting period		137 266	8 378 078
Equity attributable to the shareholders of the Parent Company		**60 114 138**	**60 034 620**
Non-controlling interests		609 527	714 055
Total equity		**60 723 665**	**60 748 675**
Liabilities			
Non-current liabilities			
Long-term debt securities - bonds	5	8 000 000	-
Loans from credit institutions	3	36 726 706	28 263 863
Obligations under finance leases	4	8 438 344	8 907 148
Lease liabilities		14 776 901	14 127 497
Deferred income		1 412 996	1 425 261
Other payables		18 580	22 803
Deferred income tax liability		1 543 353	1 463 138
Total non-current liabilities		**70 916 880**	**54 209 710**
Current liabilities			
Loans from credit institutions	3	14 237 894	23 828 135
Obligations under finance leases	4	3 041 615	3 718 448
Lease liabilities		2 337 781	2 886 020
Prepayments received from customers		1 164 366	894 373
Trade payables		15 910 225	23 240 631
Corporate income tax		95 329	23 705
Taxes payable		3 053 774	2 792 287
Other payables		3 904 086	3 270 274
Deferred income		429 594	535 476
Accrued liabilities		7 368 986	4 754 686
Unpaid dividends		19 960	19 960
Total current liabilities		**51 563 610**	**65 963 995**
Total liabilities		**122 480 490**	**120 173 705**
TOTAL EQUITY AND LIABILITIES		**183 204 155**	**180 922 380**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR	01.01.2023-30.09.2023 (Unaudited)	01.01.2022-30.09.2022 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	236 993	8 708 917
Adjustments for:		
Depreciation and amortization	14 560 589	11 493 172
Interest payments and similar expense	4 433 478	1 748 276
Interest (income) and similar (income)	(308)	(4 335)
(Gain)/loss on disposal of property, plant and	567 632	(136 237)
(Income) from external co-financing	(412 692)	(309 288)
Changes in provisions and allowances	(24 867)	1 261 645
Goodwill impairment	1 345 764	-
Revenue from other securities and loans which formed long-term financial investments	(1 576)	(7 308)
Profit before adjustments for the effect of changes in current assets and current liabilities	**20 705 013**	**22 754 842**
Adjustments for:		
(Increase)/decrease in receivables	(1 317 922)	(1 869 610)
Increase/(decrease) in payables	(4 277 202)	7 254 738
(Increase)/decrease in inventories	7 883 740	(7 051 758)
CASH FLOWS FROM OPERATING ACTIVITIES	**22 993 629**	**21 088 212**
Interest paid	(3 888 225)	(1 690 290)
Corporate income tax paid	(36 527)	(119 037)
Net cash flows from operating activities	**19 068 877**	**19 278 885**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible investments	(13 312 304)	(14 057 910)
Proceeds from sale of property, plant and equipment	218 319	484 354
Acquisition of subsidiaries, net of cash acquired	(7 661 400)	(7 902 699)
Received interest from other companies	1 866	6 592
Revenue from alienation of stocks or shares of related, associated or other companies	2 000	(489 007)
Net cash flows used in the investing activities	**(20 751 519)**	**(21 958 670)**

CONSOLIDATED STATEMENT OF CASH FLOWS *continued*

EUR	01.01.2023-30.09.2023 (Unaudited)	01.01.2022-30.09.2022 (Reviewed)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	6 421 242	14 184 310
Repayment of borrowings	(7 498 926)	(4 080 306)
Repayment of the lease liabilities	(3 073 937)	(1 863 913)
Payments of obligations under finance leases	(3 538 508)	(3 272 669)
Subsidies, grants, gifts or donations	310 195	729 917
Issued debt securities (bonds)	8 000 000	-
Disbursed dividends	-	(8 000 000)
Net cash flows used in the financing activities	**620 066**	**(2 302 661)**
Net cash flow for the reporting period	(1 062 576)	(4 982 446)
Result of fluctuations of foreign currency exchange rates	35 692	-
Cash and cash equivalents at the beginning of the period	8 063 375	11 818 727
Cash and cash equivalents on the reporting date	**7 036 492**	**6 836 281**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Consolidated reserves	Share premium	Translation reserves	Retained earnings	Equity distributed to the shareholders of the Parent Company	Non-controlling interests	Total equity
Balance as at 31 December 2021 (Audited)	**35 005**	**19 926 630**	**20 623 389**	**-**	**18 621 850**	**59 206 874**	**1 639 366**	**60 846 240**
Profit for the reporting period	-	-	-	-	9 861 764	**9 861 764**	(31 401)	**9 830 363**
Dividend playout	-	-	-	-	(8 000 000)	**(8 000 000)**	-	**(8 000 000)**
Buyout of minority shareholders shares	-	-	-	-	310 307	**310 307**	(845 718)	**(535 411)**
Merger	-	-	-	-	118 278	**118 278**	-	**118 278**
Balance as at 30 September 2022 (Reviewed)	**35 005**	**19 926 630**	**20 623 389**	**-**	**20 912 199**	**61 497 223**	**762 247**	**62 259 470**
Profit for the reporting period	-	-	-	-	137 266	**137 266**	(104 528)	**32 738**
Translation reserve	-	-	-	(57 748)	-	**(57 748)**	-	**(57 748)**
Balance as at 30 September 2023 (Unaudited)	**35 005**	**19 926 630**	**20 623 389**	**73 961**	**19 455 153**	**60 114 138**	**609 527**	**60 723 665**

Notes

1. Net turnover

EUR	01.01.2023-30.09.2023 (Unaudited)	01.01.2022-30.09.2022 (Reviewed)
Income from processing of recyclable materials	64 682 125	80 114 594
Income from waste management	80 088 350	62 279 561
Income from organisation of packaging management system	8 959 188	7 410 571
Income from sorting and sale of recyclables	6 853 311	5 095 193
Other income	558 568	38 620
Total	**161 141 542**	**154 938 539**

Income by geographical markets are distributed as follows:

EUR	01.01.2023-30.09.2023 (Unaudited)	01.01.2022-30.09.2022 (Reviewed)
Other Member States of the European Union	50 888 306	64 813 005
Republic of Lithuania	49 820 502	46 243 645
Republic of Latvia	48 758 036	37 974 519
Republic of Czechia	9 562 637	3 354 063
Outside the Member States of the European	2 112 061	2 553 307
Total	**161 141 542**	**154 938 539**

2. Production cost of goods sold

EUR	01.01.2023-30.09.2023 (Unaudited)	01.01.2022-30.09.2022 (Reviewed)
Raw materials and other material costs	48 270 643	60 130 315
Remuneration for work	25 573 366	19 608 438
Waste utilization costs	17 675 133	15 401 188
Depreciation of property, plant and equipment and intangible investments	13 896 285	9 568 777
Costs of outsourced services	12 466 745	8 090 869
Cost of production energy and other resources	6 501 278	6 712 819
Transport costs	5 309 977	4 839 073
State mandatory social insurance contributions	3 223 173	2 252 798
Professional services costs	1 207 821	400 167
Lease of industrial premises and related costs	355 733	210 845
Insurance costs	746 111	541 301
Other production costs	1 073 321	454 613
Total	**136 299 586**	**128 211 203**

Notes

3. Loans from credit institutions

EUR	30.09.2023 (Unaudited)	31.12.2022 (Audited)
Non-current loans		
Bank (non-current part, repayable within 2-5 years)	36 726 706	28 263 863
Total	**36 726 706**	**28 263 863**
Non-current loan current part		
Bank (non-current part, repayable within 1 year)	9 975 184	18 914 522
Bank (credit line)	4 165 689	4 739 478
Total	**14 140 873**	**23 654 000**
Loan interest		
Bank	97 021	174 135
Total	**97 021**	**174 135**
Total current	**14 237 894**	**23 828 135**
Total loans from credit institutions	**50 964 600**	**52 091 998**

In accordance with bank loans, leasing and factoring contracts, financial covenants are set on the Group's subsidiaries level and Group Consolidated level.

As at 31.12.2022 Equity ratio covenant according to one subsidiary Loan agreements was breached. Accordingly portion of Loans from credit institutions with non-current terms of mentioned loans as at 31.12.2022 in amount of EUR 11 049 891 was presented as Current. However, Luminor Bank AS Latvian Branch and respective Group subsidiary have reached an agreement after balance sheet date than non-compliance with the specific covenants will not be considered as a case of Event of default in accordance with the General Financing Terms after the reporting date. In 2023 financial covenants are set on the Group Consolidated level.

As at 30 September 2023 covenants set at Eco Baltia Consolidated lever where met; Adjusted Equity ratio covenant is set for and can not be lower than 35% and Net Financial Debt to EBITDA not higher than 3.5.

4. Obligations under finance lease

EUR	30.09.2023 (Unaudited)	31.12.2022 (Audited)
Year 1	3 041 615	3 718 448
Year 2 - 5	8 438 344	8 907 148
Total	**11 479 959**	**12 625 596**

Due to covenant breach mentioned in Note 3, accordingly portion of Obligations under Finance leases non-current terms of mentioned lease as at 31 December 2022 in amount of EUR 186 559 was presented as Current. In 2023 financial covenants are set on the Group Consolidated level. As at 30 September 2023 there was covenant calculation which determined classification as at 30 September 2023 as Non-current.

Notes

5. Long-term debt securities - bonds

EUR	30.09.2023 (Unaudited)	31.12.2022 (Audited)
Debt securities - bonds	8 000 000	-
Total	**8 000 000**	**-**

On 17 February 2023 Eco Baltia AS issued bonds in the amount of EUR 8 million. The bonds mature on 17 February 2026, with an option for the issuer to redeem them after two years. The accrued interest on the issued bonds as of 30 September 2023 amounts to EUR 78 222 and is included under 'Accrued liabilities'.

6. Financial risk management

In the ordinary course of business, the Group is exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management activities are undertaken to support the underlying operating transactions of the Group. The Group companies do not undertake any high risk transactions that would increase exposure to currency or interest rate risks.

Foreign currency risk

Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group has subsidiary TESIL Fibres registered and operating in the Czech Republic, accordingly Assets and Liabilities included in Groups consolidation amounts to 21 million EUR equivalent on stand alone basis. The Group has no material financial assets and liabilities denominated in currencies other than the euro. Consequently, the Group's exposure to foreign currency risk was insignificant in the reporting year.

Interest rate risk

The Group is primarily financed from shareholder's equity, operating cash flows and, to a limited extent, from borrowings. Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and finance lease liabilities (see Notes 3 and 4) bearing interest at floating rates. As a result, the Group is exposed to a risk of higher interest expense, which may be caused by growing interest rates.

The Group companies SIA "Eco Baltia vide", UAB "Ecoservice", SIA "Nordic Plast" and AS "PET Baltija" have non-current loans from credit institutions bearing interest at a floating EURIBOR rate; therefore, these companies are exposed to interest rate risk, which are not hedged by means of interest rate swap contracts.

Credit risk

Credit risk is a risk of financial loss in the event of a counterparty's default on their obligations to the Group companies. Credit risk is mainly caused by cash at bank, trade receivables and issued non-current and current other loans.

Cash at bank

Credit risk related to cash at bank is managed by balancing the placement of financial assets in order to maintain the possibility of choosing the best offers and reduce the probability of financial losses. The Group companies evaluate credit ratings assigned to banks by international credit rating agencies and financial performance of banks on a regular basis.

Notes

6. Financial risk management - *continued*

Trade receivables

The Group companies have no significant concentration of credit risk with any single customer or group of customers having similar characteristics.

The Group controls its credit risk by continuously assessing the credit history of customers and setting permissible credit limits. The Group maximum permissible exposure to credit risk is defined to the extent of the balance sheet value of each debtor. The Group companies monitor overdue trade receivables on a regular basis. Balance sheet value of trade receivables is reduced by allowances made for doubtful and bad trade receivables. In addition Group uses factoring services.

Issued non-current and current loans

The Group controls its credit risk by continuously assessing the financial performance, sufficiency and quality of collateral and credit histories of borrowers. Balance sheet value of granted loans is reduced by allowance made for doubtful and bad loans and receivables.

Categories of financial instruments EUR	30.09.2023 (Unaudited)	31.12.2022 (Audited)
Financial assets		
Cash at bank and on hand at amortised cost	7 036 492	8 063 375
Other investments and securities at fair value	22 113	21 200
Loans and receivables carried at amortized cost value	26 883 126	23 325 286
Total financial assets	**33 941 731**	**31 409 861**
Financial liabilities		
Financial liabilities carried at amortized cost value	116 623 668	115 000 202
Total financial liabilities	**116 623 668**	**115 000 202**

Liquidity Risk

Liquidity risk is a risk that the Group companies will default on their full obligations. Liquidity risk arises if the maturities of financial assets and liabilities do not match. The goal of liquidity risk management by the Group is to maintain an adequate amount of cash and cash equivalents and arrange an adequate sufficiency of financing by using the financing granted by banks (see Note 3), thereby enabling the Group companies to meet their obligations as they fall due. The Group companies assess whether the maturities of financial assets and liabilities match on a regular basis and the stability of financing for non-current assets. For the purposes of liquidity management, operational cash flow forecasts are made after the actual results for the prior month. As at 30 September 2023 Groups current liabilities were by EUR 5 352 322 more than current assets (as at 31 December 2022 currents liabilities were by EUR 14 866 398 more than current assets, from which EUR 11 049 891 in current liabilities represents Group’s subsidiary AS PET Baltija reclassified portion of Loans from credit institutions with non-current terms. After the reporting year AS PET Baltija received the permission from its credit institution, Luminor Bank AS Latvian branch, not to comply with the covenants on 31.12.2022 therefore in 2023 reclassification is canceled and mentioned amount presented as Non-current liabilities). The Group’s management believes that the Group companies will have sufficient funds available so that their liquidity position might not be negatively jeopardized.

Notes

6. Financial risk management - *continued*

The following table demonstrates undiscounted contractual maturities of financial liabilities:

31.12.2022 EUR	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
Non-derivative financial liabilities					
Trade and other payables	34 143 504	34 143 504	32 159 964	535 476	1 448 064
Obligations under finance leases	12 625 596	14 015 977	1 632 489	2 644 289	9 739 199
Lease liabilities	17 013 517	19 648 038	1 268 217	2 978 421	15 401 400
Borrowings	52 091 998	53 351 924	17 378 234	5 603 134	30 370 556
Total non-derivative financial liabilities	**115 874 615**	**121 159 443**	**52 438 904**	**11 761 320**	**56 959 219**
Total financial liabilities	**115 874 615**	**121 159 443**	**52 438 904**	**11 761 320**	**56 959 219**

30.09.2023 EUR	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
Non-derivative financial liabilities					
Trade and other payables	30 208 833	30 208 833	24 262 661	4 514 596	1 431 576
Long-term debt securities - bonds	8 000 000	9 571 555	213 333	480 000	8 878 222
Obligations under finance leases	11 479 959	13 125 029	979 349	2 860 740	9 284 940
Lease liabilities	17 114 682	17 114 682	815 349	1 524 162	14 775 171
Borrowings	50 964 600	52 605 211	4 005 765	9 803 876	38 795 570
Total non-derivative financial liabilities (Unaudited)	**117 768 074**	**122 625 310**	**30 276 457**	**19 183 374**	**73 165 479**
Total financial liabilities (Unaudited)	**117 768 074**	**122 625 310**	**30 276 457**	**19 183 374**	**73 165 479**

Fair value

Based on the Group's management's assessment, the carrying amounts of financial assets and liabilities approximated to their fair value as at 30 September 2023 and 31 December 2022.

Notes

7. Business combinations and acquisition of non-controlling interests

In January 2023, the Group's subsidiary, Latvijas Zaļais punkts, completed the acquisition of the road and street maintenance company Pilsētas Eko Serviss, including acquisition of 100% of PES serviss and B124.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

Fair value recognised on acquisition EUR'000	Acquired subsidiaries (Unaudited)
Assets	
Intangible assets*	1 178
Property, plant and equipment*	1 864
Inventories	126
Receivables	2 441
Cash	182
Liabilities	
Trade payables and other liabilities	(2 123)
Total net assets	**3 668**
Goodwill*	4 177
Purchase consideration transferred	**7 845**

8. Financial indicators

There are restrictions in the "**Terms and Conditions**" for the Unsecured Fixed Rate bonds issued (ISIN LV0000860120).

The Issuer undertakes to comply with the following financial covenants from the issue Date and for as long as any Notes are outstanding:

Equity Ratio - the Issuer ensures that Equity Ratio of the Issuer at all times is 30 (thirty) per cent or greater. Equity Ratio is tested each quarter.

Net Debt to Adjusted EBITDA Ratio – the Issuer ensures that Net Debt to Adjusted EBITDA Ratio at all times is 4 (four) or lower.

Financial indicator	As at 30.09.2023
Equity ratio	36,8%
Net debt to Adjusted EBITDA ratio	2,9

Financial indicators are calculated based on consolidated AS Eco Baltia financial results.

eco baltia

FIND VALUE IN EACH AND EVERY THING

MĀRIS SIMANOVIČS
ECO BALTIA
CHAIRMAN OF THE MANAGEMENT BOARD

SANTA SPŪLE
ECO BALTIA
MANAGEMENT BOARD MEMBER, CFO

SIGITA NAMATĒVA
ECO BALTIA
MANAGEMENT BOARD MEMBER, CLO

SAULIUS BUDREVIČIUS
ECO BALTIA
MANAGEMENT BOARD MEMBER